

# **FISCAL NOTE**

## **HB 2244 - SB 3052**

February 2, 2004

### **SUMMARY OF BILL:**

- Allows owners of bulk vending machines, which distribute merchandise with a market value not exceeding \$0.50, to pay gross receipts tax on such machines rather than sales tax.
- Authorizes the Department of Revenue to charge a \$2.00 fee to register each company and a \$1.00 fee for the registration of each machine. This registration must be displayed on the machine along with the name and address of the owner of each machine.

### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues - \$142,900**

**Increase State Revenues - \$14,200**

**Decrease Local Govt. Revenues - \$65,000**

Estimate assumes:

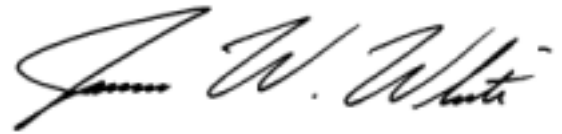
- Bulk vending machine sales account for 1% of total vending sales according to the National Bulk Vending Association. Therefore, 1% of the total \$290,498,442 vending sales in Tennessee, or \$2,904,984 is attributable to bulk vending sales.
- The effective state sales tax rate on vending purchases is 6.42% because some sales are taxed at the 6% food rate. The gross receipts tax is 1.5%. Therefore, there is a 4.92% reduction in the tax rate. As a result, the decrease in state revenues is  $\$2,904,984 \times 4.92\% = \$142,925$ .
- Because the gross receipts tax is a state tax only, all of the local taxes currently collected would be forfeited. Total local sales tax collections on vending purchases in Tennessee for the 12-month period ending November 2003, were \$6,500,000. Because 1% of this total is assumed to be attributable to bulk vending sales, the total loss to local governments is \$65,000.
- There is no significant increase in expenditures to the state for systems changes involved with the implementation of this bill because of the similar systems changes attributable to the enactment of Public Chapter 358 of 2003.
- There are 26,600 bulk vending machines in Tennessee, 13,000 of which are currently paying the gross receipts tax in accordance with PC 352 of 2003. Therefore, 13,600 machines would be subject to the \$1.00 machine registration fee.

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- Currently, there are 600 vending companies in Tennessee. However, it is not known how many companies have bulk vending machines that would qualify to pay the gross receipts tax under this legislation. If 50% of the companies are assumed to have bulk vending machines, there would be 300 subject to the \$2.00 company registration fee. This fee component would generate \$600 in revenue for the state.
- The state would see a total increase in revenue of \$14,200 attributable to machine and company registration fees imposed in accordance with the provisions of this legislation.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director